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# Fortis Metals Monthly January 2006

Gold, Silver, Platinum, Palladium,  
Aluminium, Copper, Nickel,  
Lead & Zinc, Tin, Plastics.

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Fortis Metals Monthly is an exclusive precious and base metals research joint venture between Fortis Bank SA/NV and Virtual Metals Research and Consulting.



## Metals and Plastics – Strategic View

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### Introduction

A strong finale for most precious and base metals, with a volatile outlook for 2006 in which fresh highs – and lows – are likely to be tested.

### Gold

Finally it breaks above \$500/oz, but despite much frothy speculation over central banks, the future is in the hands of hedge funds.

### Silver

An excellent year for silver investors and this will inspire more interest in 2006.

### Platinum

\$1,000/oz finally arrives; but this will pose its own problems for industrial and jewellery sectors.

### Palladium

Faithful investors had their hopes confirmed in 2005 and, given the extreme price differential with platinum, 2006 could be another good year.

### Aluminium

Capacity cuts and soaring energy prices won't go away fast – and aluminium speculators will benefit.

### Copper

Opinion is sharply and equally divided, but 2005 confounded the copper pessimists; prices likely to rise before they fall.

### Nickel

The global slump in stainless steel production everywhere but Asia plus delays to new projects could mean a sharp rise for nickel in 2006.

### Lead & Zinc

2006 is almost certainly going to see sharp rises for zinc, but lead may be running out of steam.

### Tin

The worst performer of 2005 is unlikely to turn the corner fast in 2006.

### Plastics

Lower energy costs and cheaper feedstock prices dampen the LME's newest contracts but this may be a short-term phenomenon.

## Forecasts

### Price forecasts

		End-December	1-month	3-month	2 years
Gold	\$ per oz	513	490-550	490	400
Silver	c per oz	883	8-10	8	9
Platinum	\$ per oz	965	950-1,050	950	900
Palladium	\$ per oz	258	245-280	250	230
Aluminium (3-month buyer)	\$ per tonne	2,284	2,100-2,500	2,200	1,900
Copper (3-month buyer)	\$ per tonne	4,432	4,200-4,700	>4,500	3,500
Nickel (3-month buyer)	\$ per tonne	13,475	13,000-15,000	>14,000	15,000
Lead (3-month buyer)	\$ per tonne	1,058	1,000-1,200	900	850
Zinc (3-month buyer)	\$ per tonne	1,916	1,850-2,200	>2,200	1,800
Tin (3-month buyer)	\$ per tonne	6,595	6,700-7,000	6,800	7,000
Plastic: LLDPE (January)	\$ per tonne	1,165	1,100-1,200	>1,200	1,400
Plastic: PP (January)	\$ per tonne	1,085	1,000-1,100	>1,200	1,400

Source: Virtual Metals

## Analysis

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### Copper's bubble – to pop or not?

As we were putting the finishing touches to this month's issue of the review, contract workers at the world's biggest copper producer, the state-owned Chilean company Codelco, were threatening to take to the streets in protest and void their votes in a January 15<sup>th</sup> ballot to see who will be the country's next president, unless they are given an annual bonus worth almost \$1,000. Chile's trade unions are largely supportive of the centre-left Concertacion governing coalition, whose presidential hopeful, Michelle Bachelet, has been leading the polls for the runoff ballot to become the country's first female president. The Chilean government has so far talked tough and said it will not give into pressure, and the stand-off has already turned nasty, with contract workers blocking access to mines and police intervening to break up the protests. "Their petition has no legal or economic basis," said one government minister. Codelco has about 14,000 staff employees and almost 29,000 contract workers, the latter being ineligible for bonuses related to the copper price. It produced 1.84 Mt of copper in 2004 and is likely to have produced about 1.7 Mt in 2005.

This agitation comes at a time when there has been heightened speculation that Chile may decide to privatise Codelco, now thought to be worth as much as \$26bn. Under Chilean law, Codelco is obliged to hand-over all its profits (expected to be in the order of \$5bn for 2005) to the government's treasury. According to the unions the claimed bonus would cost Codelco less than \$12m. Strictly speaking, the contract workers have no legal case – but they may not be in the mood to listen to that. Yet if the grumbles are not quickly resolved and the clash then degenerated into a protracted strike (even if that strike were not joined by the full-time staff), Codelco's output would be affected sooner or later.

### Beware the unexpected

It is precisely this kind of unknown and unpredictable factor which can jolt the copper price. A year ago, no-one foresaw that 2005 would see LME copper prices stride above \$4,500/t. Demand remained strong, particularly in China, but it was unexpected supply disruptions (such as the three-month strike at the USA's second biggest producer, Asarco), occurring in the context of already historically low global stocks, which really tightened the screws. The 2005 debate – is copper's bubble about to burst? – is thus set to extend a while longer into 2006. Some producers are confident that copper's strong performance in 2005 will not be easily crushed; Europe's largest copper producer, Norddeutsche Affinerie, said in December that it expects strong demand for copper and copper products to last through 2006.

Thus, although as we start a new year there are once again many seasoned observers confidently anticipating copper will collapse in 2006 (perhaps by as much as 20% – although even a collapse of that order would, we should note, still only take it down to \$3,600/t from its current level), it is only sensible to counsel caution. Certainly there is material to support both a more bullish and more bearish case. Global production is set to increase – in Chile alone copper production growth is widely expected to be in the order of 5% in 2006. Yet evidence is accumulating that economic growth in the USA and elsewhere will be unusually strong in 2006. In Japan, the Ministry of Economy, Trade and Industry said it anticipates industrial production to have grown by almost 5% in December, following growth of 1.4% in November. In China, investment in fixed assets – where copper is a crucial component – rose 29% in November 2005, the fastest pace in the year. China has a habit of springing surprises – towards the end of December it (and the world) learned that its economy is 17% bigger than previously thought. Even if Codelco's contract workers do simmer down, there will be other bumps to come.

## Focus

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### 2005 – how did it go for metals?

*Most base and all precious metals provided good returns for investors in 2005, though a longer-term view suggests that they still have some catching up to do to recover former peaks; our chart-based feature this month shows the performances of the past 12 months and provides a reference point for the year ahead.*

All precious metals were winners in price terms during 2005. The US dollar spot price (which we here use for all precious metals unless stated) of palladium rose 40.2% on the year, with silver up 29.6%. Gold recorded a gain of 17.8%, and although platinum was the laggard it still managed a 12.3% rise.

The base metals had a more mixed year, with four of our six rising in price and two falling. Zinc was the star performer, with the price of the LME three-month contract (the contract used for all base metals in this article unless stated) rising 52.5% on the year, with copper a little way behind, on 40.6%. Aluminium rose 16.4% and lead 4.7%, while nickel and tin both fell sharply, down 11.3% and 15.1% respectively.

Looking at the annual averages one sees less impressive gains. In 2005 gold rose 9%, silver 10%, platinum 6%, but palladium fell 13%, against 2004's average. Similarly zinc's 2005 average was 30% higher than in 2004, copper 25%, less than the year-on-year move. Conversely nickel's price averaged higher in 2005 than 2004, despite the year-on-year decline.

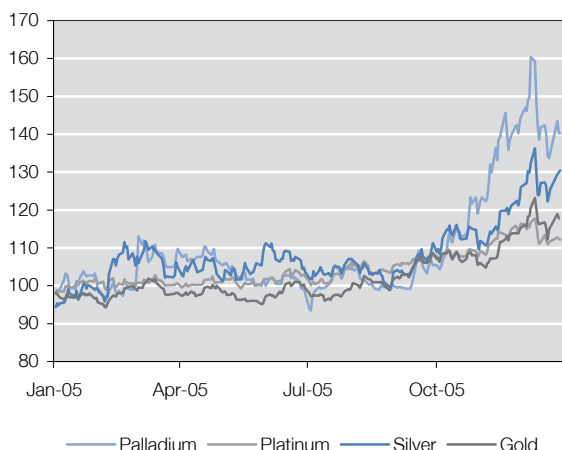
### Prices in 2005 and historical

	London fix prices				LME 3-month contract						
	\$/oz Gold	c/oz Silver	\$/oz Platinum	\$/oz Palladium	\$/tonne Aluminium	\$/tonne Copper	\$/tonne Lead	\$/tonne Nickel	\$/tonne Tin	\$/tonne Zinc	
End-05	513	883	965	258	2,285	4,433	1,059	13,480	6,600	1,917	
End-04	436	677	859	184	1,962	3,154	1,011	15,195	7,775	1,257	
Y-on-Y change	17.8%	30.4%	12.3%	40.2%	16.5%	40.6%	4.7%	-11.3%	-15.1%	52.5%	
Annual Averages											
2005	444	731	897	201	1,900	3,503	942	14,582	7,350	1,390	
% change over 2004	9%	10%	6%	-13%	10%	25%	11%	6%	-12%	30%	
Low 2005	411	639	844	172	1,695	2,945	822	11,600	6,005	1,187	
High 2005	537	923	1,012	295	2,285	4,512	1,119	16,625	8,605	1,917	
2004	409	666	846	230	1,723	2,795	852	13,772	8,367	1,065	
2003	363	488	692	201	1,429	1,789	517	9,616	4,908	844	
2002	310	460	539	338	1,364	1,577	462	6,767	4,095	797	
2001	271	437	529	604	1,454	1,597	483	5,869	4,521	904	
2000	279	495	544	680	1,567	1,841	468	8,438	5,465	1,137	
1999	278	522	377	358	1,389	1,605	509	6,127	5,416	1,093	
1998	294	554	372	284	1,379	1,674	534	4,679	5,486	1,046	
1997	331	490	396	178	1,619	2,221	633	7,014	5,670	1,303	
1996	388	520	397	128	1,535	2,223	772	7,595	6,202	1,049	
1995	384	520	424	151	1,832	2,866	639	8,360	6,233	1,055	

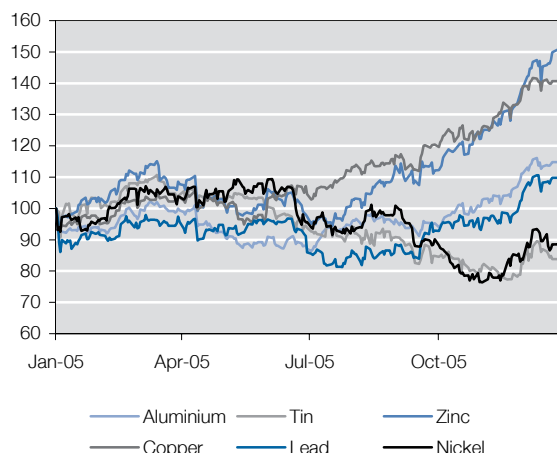
Source: Virtual Metals from Ecwin

The explanation for this is essentially, as the following charts show, that almost all of the metals, base and precious, rallied strongly in the second half of the year, the exceptions being tin and nickel. Indeed, until the second half of the year performances were unexceptional at best. This trend is most apparent in the precious metals, where at the end of August 2005 only platinum was showing a gain for the year, and then by just 3%, but this pattern also holds for the base metals, where even towards the end of July out of the six we cover only copper was higher than at the start of the year.

Precious Metal prices in 2005 (end-04 = 100)



Base metal prices in 2005 (end-04 = 100)



Source: Virtual Metals from Ecwin

Much has been made of the precious- and base-metal boom in the media, yet for many metals prices by the end of 2005 remained far from historic highs, particularly when adjusted for inflation. The following table shows that only copper and platinum are at all-time highs in terms of nominal prices; the others range from zinc (just 2% off its all-time high) to silver and palladium, which remain around three-quarters lower than their all-time highs.

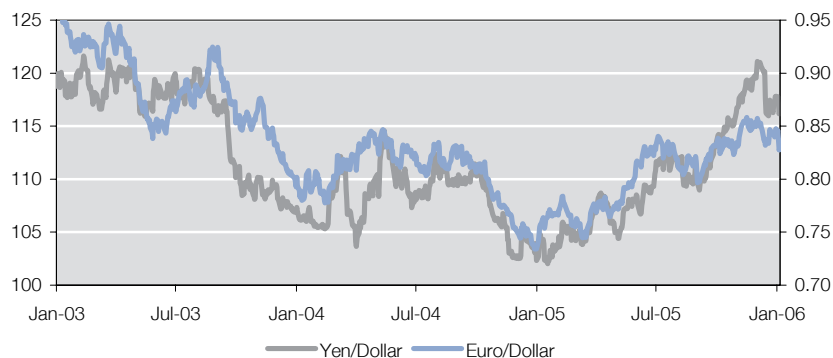
Finally it's worth noting that we are looking at prices measured in US dollars. In terms of other major currencies they rose even further (or fell less) as those currencies weakened against the dollar. Indeed in 2005 the dollar gained 15% against both the yen and euro.

Dollar against ...

	Euro	Yen
2004	-17%	-10%
2004	-7%	-4%
2005	15%	15%

Source: Virtual Metals based on Ecwin data

The dollar enjoyed a strong 2005



Source: Ecwin

Comparisons of today's prices with real and nominal highs

	Gold	Silver	Platinum	Palladium	Aluminium	Copper	Lead	Nickel	Tin	Zinc
Nominal high (monthly average)	675	38	979	1,026	3,578	4,585	1,380	18,583	17,461	1,960
Date	Jan-80	Jan-80	Dec-05	Jan-01	Jun-98	Dec-05	Jun-79	Feb-89	Mar-80	Mar-89
Dec 05 price	510.09	8.62	979.05	262.88	2,285	4,585	1,100	13,380	6,600	1,915
Dec 05 compared to nominal high	-24%	-78%	0%	-74%	-36%	0%	-20%	-28%	-62%	-2%
Real high	1,719	98	2,232	1,161	6,004	12,495	3,780	30,456	45,018	5,258
Date	Jan-80	Jan-80	Feb-80	Jan-01	Jun-88	Apr-74	Jun-79	Apr-88	Oct-78	Jan-74
Dec 05 compared to real high	-70%	-91%	-56%	-77%	-62%	-63%	-71%	-56%	-85%	-64%

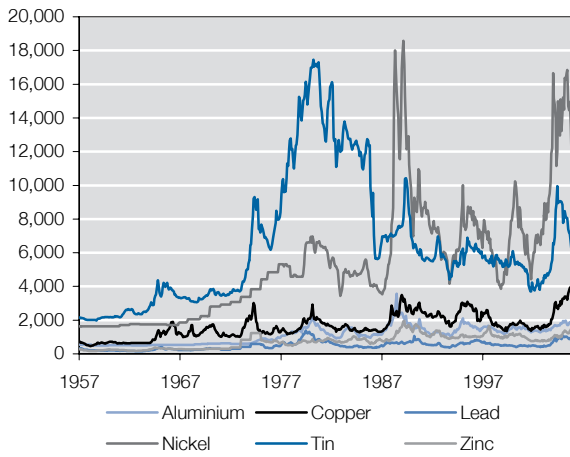
Source: Virtual Metals

Note: Data is monthly averages of spot prices for precious metals and three-month prices for base metals, from 1970 and 1957 respectively. The real high is therefore since those dates; it is probable that for most metals prices in real terms were higher before those dates.

When one adjusts the prices for inflation (here we have used the US consumer price index) all metals are far below their previous peaks. Silver again is the leader, down an enormous 91% from its Jan 1980 peak of \$98/oz, but all metals are less than half their inflation-adjusted peaks, with platinum and nickel, both down 56%, the nearest. This is a sobering thought for those who trumpet the benefits of commodities for investors, though bulls might argue it allows plenty of room for further price gains.

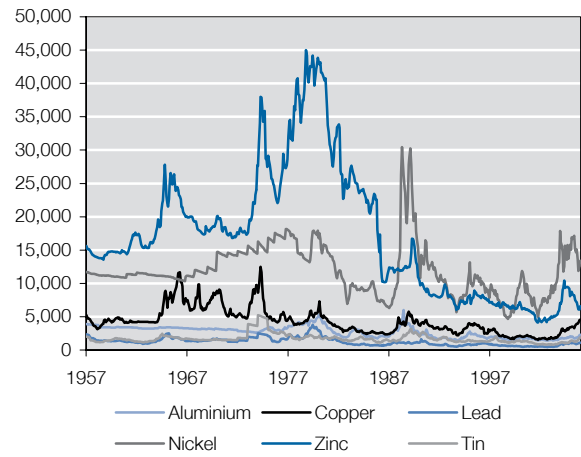
The following charts show the evolution of nominal and real monthly average prices since 1957 for base metals and 1970 for precious metals.

Base metal prices since 1957 (\$/tonne)



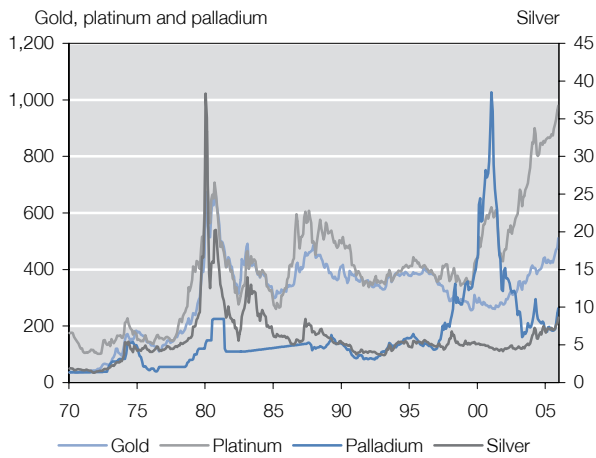
Source: Virtual Metals from Ecwin

Real base metal prices since 1957 (end-2005 \$/tonne)



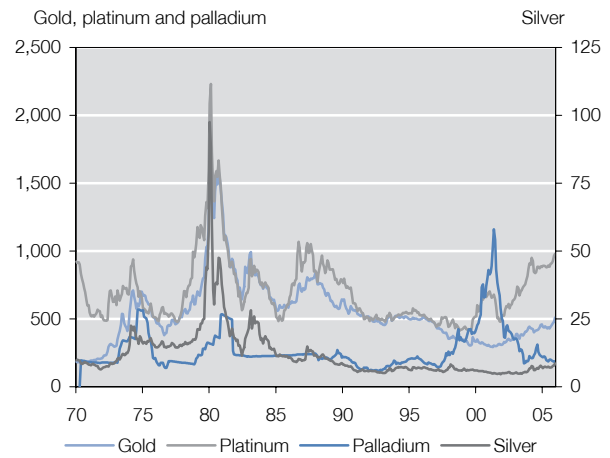
Source: Virtual Metals from Ecwin

Precious metal prices since 1970 (\$/oz)



Source: Virtual Metals from Ecwin

Real precious metal prices since 1970 (end-2005 \$/oz)



Source: Virtual Metals from Ecwin

Note: Prices have been deflated by the US consumer price index.

## Base metal stock levels helped underpin prices

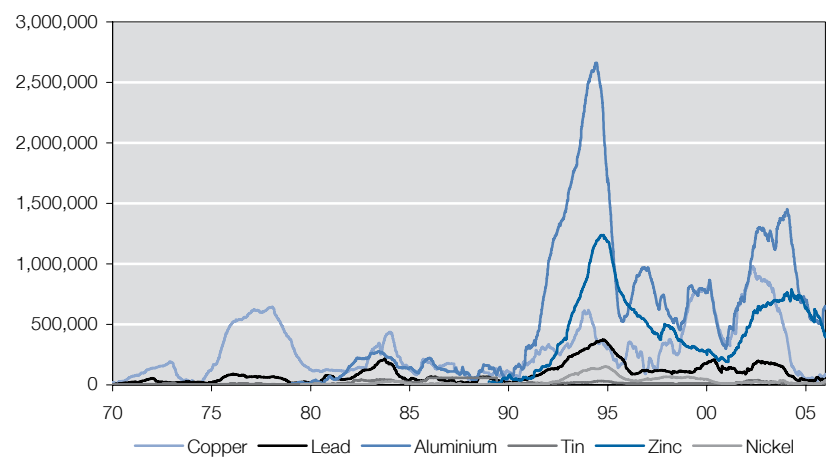
### Stocks (LME), tonnes

	Aluminium	Copper	Lead	Nickel	Tin	Zinc
End-2005	644,850	89,575	43,625	35,742	16,725	394,125
End-2004	694,750	48,875	40,700	20,892	7,685	629,425
% change '05 on '04	<b>-7%</b>	83%	7%	71%	118%	<b>-37%</b>
End-2003	1,423,275	432,975	110,175	24,072	14,495	740,400
End-2002	1,242,700	856,400	184,025	21,990	25,610	651,150
End-2001	819,175	798,675	97,050	18,966	27,485	433,375

Source: LME

One factor which throughout 2005 was thought to underpin the strong performance of most base metals was the relatively low stock levels and indeed, with the exception of nickel and tin, they were all down on the end-2003 level. Indeed over a longer period of time, (see chart below) current levels are relatively low. However, stock levels on the LME varied considerably for each metal, rising strongly for tin, copper and nickel, relatively unchanged for lead and aluminium, but down sharply for zinc.

### Historical stock levels on the LME, tonnes



Source: LME

### What prospects for 2006?

Our view for 2006 is that certain metals are well-placed to benefit from strong fundamentals. Clear likely winners are **zinc** and **aluminium**, both of which remain in strong demand particularly from developing economies such as China and India and other parts of Asia. Tightness of supply of concentrates and a lack of new mine projects means zinc supply should be significantly less than demand, while continued high energy costs may impact upon aluminium smelting in OECD countries, and new smelting projects outside the OECD take time to compensate. **Copper** too is likely to see a strong first half of the year at least, as fresh supply slowly begins to catch up with continued strong demand. Producer consolidation, a recovery in stainless steel production and possible delays in new projects may also see **nickel** with fresh impetus. Of the base metal complex only **tin** and **lead** lack any clear factors propelling them much higher than currently. Of the precious metals, **gold** needs to get well beyond \$580/oz to inspire a sense that the giddy heights of 1980 really are plausible, while a plentiful global supply of **silver** means that its recent rally is unlikely to have much more to run. **Palladium** could well benefit both industrially and decoratively if platinum remains well above \$900/oz during 1H of 2006; **platinum** however will continue to be in strong demand and may not pull back for some time to come.

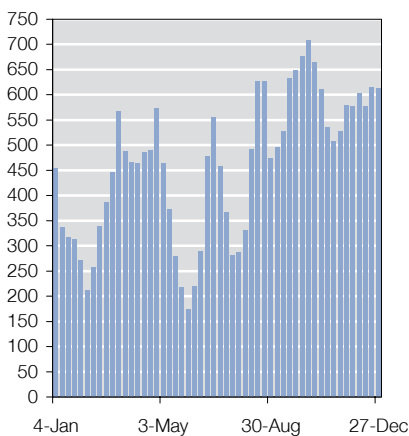
# Gold

Gold price (\$/oz)



Source: London Bullion Market Association

Comex: Non-commercial net position (tonnes)



Source: Virtual Metals

### Quote of the Month

**“The government and the RBI have been following a passive gold policy”**

**Y.V. Reddy, Governor of the Reserve Bank of India**

### News

- Dec 22<sup>nd</sup>: Placer Dome’s board agreed to a raised offer worth \$10.4bn from Barrick Gold. The deal requires a two-thirds’ shareholder approval by 19<sup>th</sup> January 2006.
- Dec 22<sup>nd</sup>: Russia’s gold production fell 6.7% year-on-year during January-November 2005 to just over 157t, according to the Gold Producers’ Union.
- Dec 19<sup>th</sup>: Portugal’s central bank said it sold 10t from reserves in the previous month, under the terms of the European Gold Agreement (EGA).
- Dec 13<sup>th</sup>: Australia’s NuStar Mining Corporation announced a planned merger with Intrepid Minerals Corporation of Canada. The combined group, with mines in Argentina and Western Australia, is likely to produce some 160,000 oz annually from 2007.

### Analysis

- Firm shift above \$500/oz

The issue of Germany’s gold reserves resurfaced in December, following media speculation that the Bundesbank’s participation in EGA gold sales might not happen in 2006. The *Financial Times Deutschland*, on 23<sup>rd</sup> December, said the bank will decide in 2006 whether to sell some of its gold reserves. This followed an earlier *Handelsblatt* report that the new governing CDU and CSU coalition was split on the issue of using the proceeds from gold sales to reduce Germany’s budget deficit. The Bundesbank currently has 3,428t. Steffen Kampeter, budget expert in the CDU told Reuters: “The Bundesbank of course has independence and sovereignty over its gold reserves,” adding that it alone should be able to decide if it exercised its option to sell gold under the EGA.

December also saw considerable (although unsubstantiated) speculation that central banks in Asia might raise the proportion of gold in their reserves. Among the sparse statements from central banks themselves, that from Yaga Venugopal Reddy, governor of the Reserve Bank of India (RBI), stood out. In response to media questions he said that the federal government have been following a “passive policy” on the country’s gold holdings. India’s foreign exchange reserves are currently valued at \$142.18bn; gold comprises only 3.4%. Russia said it would value its central bank gold reserves on the basis of market prices rather than the bank’s own valuation, which currently is just \$300/oz.

Goldcorp said its output will increase more than 50%, to some 2 Moz in 2006, following its purchase of Placer’s stakes in the Campbell, Porcupine and Musselwhite gold mines in Ontario, the La Coipa gold and silver mine in Chile, and a 40% stake in the Pueblo Viejo development project in the Dominican Republic, for \$1.485bn, as part of Barrick Gold’s takeover.

### Outlook

**December’s firm breach of \$500/oz unleashed some wild speculation about further dramatic climbs. We remain convinced that while there are bullish indicators, much depends on hedge fund activities and less on physical fundamentals. Short-term: \$490/oz-\$550/oz.**

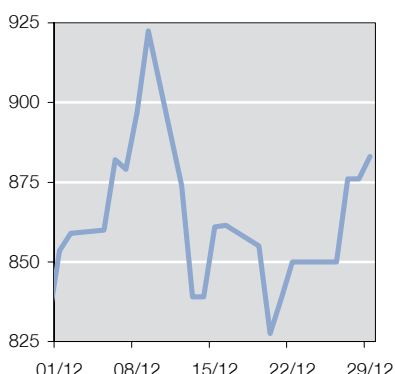
### Market data (December unless stated)

Prices	US\$/oz	Euro/oz	Rand/kg	ETF investment	Ounces	Lease rates	1m	3m	6m	12m	Option volatility (end month)	
Average	509	429	103,843	US	1,177,555	Average	0.12	0.11	0.12	0.13	1-month	19.50
High	537	449	108,970	UK	124,547	High	0.16	0.13	0.14	0.16	3-month	18.40
Low	489	414	100,451	Aus	8,048	Low	0.09	0.08	0.10	0.10	6-month	17.90
				S. Africa	23,878						12-month	17.00

Source: Prices: London Bullion Market Association, Others: Virtual Metals

# Silver

Silver price (cents/oz)



Source: London Bullion Market Association

## News

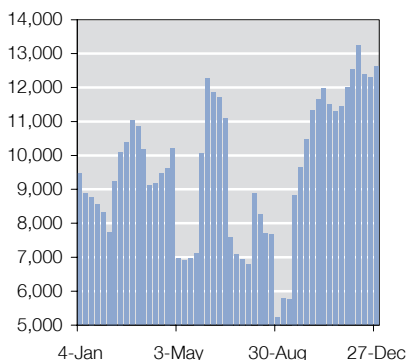
- Dec 28<sup>th</sup>: The world’s biggest silver producer, Mexico, reported its output rose more than 23% in October 2005 to above 292t, according to the country’s National Statistics Institute.

## Analysis

- Moves up but shies away from \$10/oz

Barclays’ planned silver exchange traded fund received a much needed boost in December after the Silver Institute said it supported it. Phil Baker, the Institute’s chairman and CEO of Hecla Mining, told Mineweb: “The ETF overcomes some of the other problems going into the market now. It’s very difficult, very expensive for someone to get silver, but they will be able to do that through the ETF.” He said he was not worried that the ETF would compete for capital with mining shares because it would also increase liquidity and attract new investors to the industry.

Comex: Non-commercial net position (tonnes)



Source: Comex

The London Bullion Market Association reported that in November year-on-year silver statistics were sharply higher. The number of ounces transferred rose 5.8% to a daily average of 132.0m, the highest level for the month of November since 1998. Based on an average fixing of \$7.8725 – 20 cents higher than October – value rose to a daily average of \$1.04bn. The number of transfers rose 2.9% to an average of 359 a day. Ounces transferred rose 75% and value was 84% higher.

Silver Standard Resources reported that indicated silver resources have increased to 71.3 Moz and inferred silver resources have increased to 80.3 Moz at its wholly-owned Pitarrilla silver project located in the state of Durango, Mexico. Together with its proposed acquisition of the Veta Colorado project in Mexico, Silver Standard’s measured and indicated silver resources will now total 590.4 Moz and inferred silver resources will total 508.6 Moz.

## Quote of the Month

**“It’s very difficult, very expensive for someone to get silver, but they will be able to do that through the ETF”**

**Phil Baker, CEO Hecla Mining (Mineweb)**

## Outlook

Silver tracked the precious metals complex higher in December, its highest London fix of \$9.225/oz on 12<sup>th</sup> December being the year’s record, but it collapsed back to \$8.74/oz the following day. It ambled sideways for the rest of the month, never again really threatening \$9/oz, although its final fix of 2005, at \$8.83/oz on the 30<sup>th</sup> suggested it might have sufficient steam to climb higher. Silver investors who climbed on board at the start of 2005 have reason to celebrate their 30% return, almost twice as good as those who opted for gold. Short-term: \$8/oz-\$10/oz.

Market data (December unless stated)

Prices	c/oz	e/oz	p/oz	Imports	kg	Lease rates	1m	3m	6m	12m	Option volatility (end month)	
Average	864.4	727.9	494.7	USA (Oct)	380,574	Average	0.61	0.88	1.36	2.40	1-month	N/A
High	922.5	771.7	520.8	Japan (Oct)	320,522	High	0.64	0.94	1.44	2.62	3-month	33.40
Low	827.5	697.9	473.5	China (Oct)	192,971	Low	0.57	0.83	1.28	2.22	6-month	32.80
											12-month	32.00

Source: Prices: London Bullion Market Association, Others: Virtual Metals

# Platinum

## News

- Dec 20<sup>th</sup>: Aquarius Platinum said it would take legal action against its biggest sub-contractor, Moolman Mining and seek damages of Rand 1bn (almost \$158m) over a dispute at the Marikana mine.
- Dec 15<sup>th</sup>: Implats announced the biggest South African black economic empowerment deal to date in its decision to sell shares valued at Rand 5.2bn (almost \$820m) to the Royal Bafokeng Nation (RBN), a 300,000-strong community in the country's north-west. This share-holding will convert into a 7.4% stake in Implats within 10 years, and will bring the total RBN stake to 9% of the company.

## Analysis

- Strong prices drift lower at year's end

Platinum, along with the other precious metals, had a very strong first half of December, with the London pm fix at \$1,000/oz or higher on three occasions and reaching \$1,012/oz on 12<sup>th</sup> December, but profit-taking (especially on TOCOM) saw it fade in the final days of 2005 trading, with the final pm fix on 29<sup>th</sup> December at \$965/oz. Nevertheless, with a monthly pm fix average of \$976/oz December was by far the best performing month of 2005 and set the stage for a challenging Q1 in 2006.

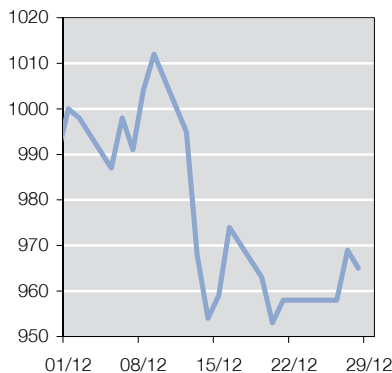
GfK Marketing Services, the market research firm, forecast a substantial rise in the number of LCDs shipped from Taiwan in 2005, with as many as 250,000 units, against the 96,000 units sold in 2004. In the first 10 months of 2005 180,000 units were shipped during the first ten months of 2005. In Q4 2005, some 70% of all Taiwan's LCD television shipments were the mainstream 32-inch LCD screens, which comprised 40% of the market at the same time last year.

The UK's Society of Motor Manufacturers and Traders (SMMT) reported that diesel cars now have a record 42.2% of the UK market; overall, new car registrations in the UK during November fell by 7.9% year-on-year. New car sales in Europe in November fell 2.8%, following the 2.6% fall in sales in October. Davenport Equity Research, a publication of the O'Carroll Aluminium Bulletin, anticipated that USA vehicle sales would be 16.8m units in 2005, the same as 2004, while North American vehicle production would be 15.7m units, down 0.3% from 2004.

## Outlook

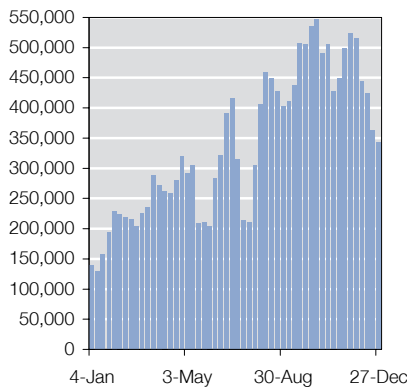
**We forecast at the start of 2005 that platinum would notch up \$1,000/oz before the end of the year – but it was a close-run thing. Although there was a backward slide by the end of the year, we believe that speculative interest in platinum will remain strong in Q1 2006, although the high price will deter Asian jewellery buying and concern the diesel autocatalyst sector. Short-term: \$950/oz-\$1,050/oz.**

Platinum price (\$/oz)



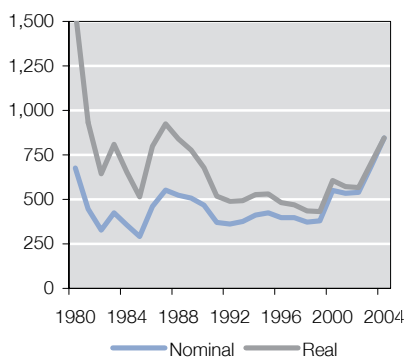
Source: London Platinum & Palladium Market

Nymex: Non-commercial net position (ounces)



Source: Nymex

Annual average platinum price (\$/oz)



Source: Virtual Metals

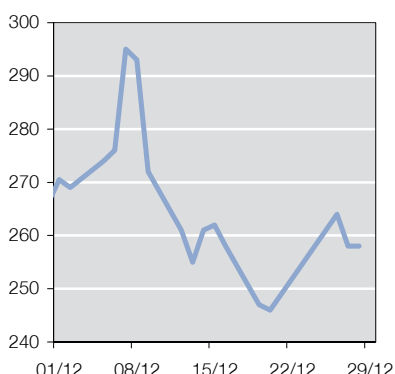
Market data (December unless stated)

Prices	US\$/oz	Lease rates	1m	3m	6m	12m	Trade (kg)	Imports	Exports	Option volatility (end month)	
Average	977	Average	2.0	2.0	1.9	1.8	USA (Oct)	6037	3187	1-month	17
High	1012	High	2.2	2.4	2.3	2.2	Japan (Oct)	5,586	757	3-month	17
Low	953	Low	2.0	1.8	1.7	1.7	China (Oct)	1,381	0	6-month	19
							Switzerland (Nov)	4,743	2495	12-month	22
							Hong Kong (Oct)	2224	432		

Source Price: London Platinum and Palladium Market, Others: Virtual Metals

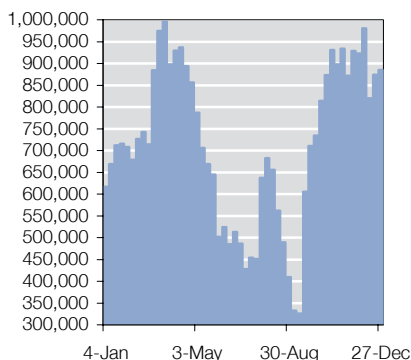
# Palladium

Palladium price (\$/oz)



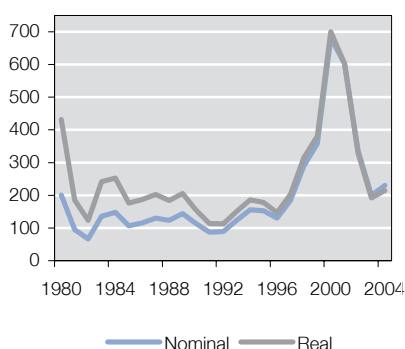
Source: London Platinum & Palladium Market

Nymex: Non-commercial net position (ounces)



Source: Nymex

Annual average palladium price (\$/oz)



Source: Virtual Metals

## News

- Dec 15<sup>th</sup>: Norilsk said it will spend almost \$700m on a scheme to buy 5% of its issued shares as part of its reorganisation to spin-off its Polyus gold subsidiary.

## Analysis

- Strong December but uncertain finale to the year

December confounded expectations in early 2005 that palladium would fail to shine, as it climbed towards \$300/oz but narrowly failed to reach that pinnacle. The London pm fix of \$295/oz on 9<sup>th</sup> December was the highest for the year, a massive \$123/oz above the low point of \$172/oz, recorded on 5<sup>th</sup> July.

Apart from a greater appetite for palladium jewellery in China and other markets, the rise of palladium's price in the second half of the year is largely accounted for by intensified speculative interest, particularly in the USA's futures market. Data from the Commodity Futures Trading Commission (CFTC) shows that, at 933,222 oz, global palladium positions averaged nearly 70,000 oz higher in 2005 than 2004, with most of the increase on Comex; TOCOM positions were on average up slightly less than 20,000 oz in 2005 over 2004. The 2005 price averaged \$201/oz, \$30/oz lower than in 2004, although this disguises the sharp price rise towards the end of the year.

In the lead-up to Christmas, Japanese investors decided to lock-in some profits; according to CFTC data for the week up to 20<sup>th</sup> December, there was an enormous 103,237 oz decline in the TOCOM general public's position (taking it to 209,673 oz), only slightly offset by an increase of 53,600 oz in the Nymex net long position.

## Outlook

**A dearth of fundamental news in December did little to inspire speculative investors from offloading palladium long positions, which they did with gusto in Tokyo, although a tepid countervailing increase on Nymex suggested that some US investors were still hopeful of palladium's bull run extending into 2006. In Q1 of 2006 much will depend on the duration of the wide price differential between platinum and palladium; we expect to hear much more in the months to come from vehicle makers switching away from platinum into palladium for autocatalysts. Short-term: \$245/oz-\$280/oz.**

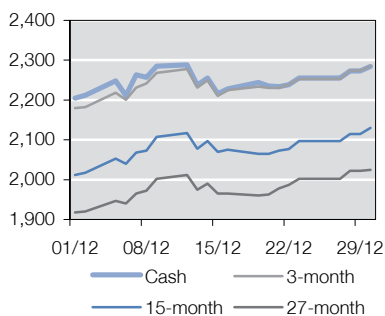
Market data (December unless stated)

Prices	US\$/oz	Lease rates	1m	3m	6m	12m	Trades (kg)	Imports	Exports	Option volatility (end month)	
Average	265.9	Average	0.41	0.48	0.57	0.71	USA (Oct)	9,828	5,996	1-month	46
High	295.0	High	0.58	0.70	0.90	1.12	Japan (Oct)	319	1,005	3-month	46
Low	246.0	Low	0.22	0.25	0.29	0.36	China (Oct)	650	314	6-month	46
							Switzerland (Nov)	2,250	14,536	12-month	46
							Hong Kong (Oct)	1,322	155	24-month	46

Source: London Platinum and Palladium Market, Others: Virtual Metals

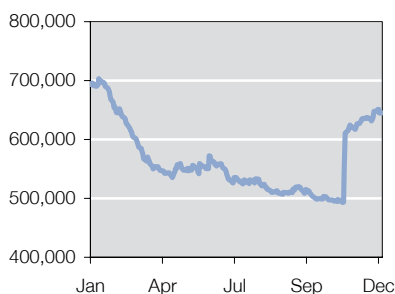
## Aluminium

### Aluminium price (\$/tonne)



Source: London Metal Exchange

### Aluminium stocks (tonnes)



Source: London Metal Exchange

### Quote of the Month

**“The availability of electricity and its cost will determine which existing aluminium smelters remain competitive and where new smelters are built”**

**Oscar Groeneveld, CEO Rio Tinto Aluminium**

### News

- Dec 21<sup>st</sup>: Alcan will invest about \$129m in expanding annual capacity from 2.1 Mt to 3.5 Mt at the Alumar consortium alumina refinery in Sao Luis, Brazil; Alcan has a 10% stake in the refinery.
- Dec 20<sup>th</sup>: World aluminium inventories in November fell 63,000t to 1.952 Mt from a revised 2.015 Mt in October, according to the International Aluminium Institute.
- Dec 11<sup>th</sup>: Trinidad agreed with private investors to build six new industrial plants valued at \$7.4bn, including two aluminium smelters, one to be built by Alcoa and the other by Sural (of Venezuela) and the state-owned National Gas Company of Trinidad.
- Dec 11<sup>th</sup>: Alcan’s planned \$1.7bn smelter in Sohar, Oman, will go ahead in partnership with the Oman Oil Company and the Abu Dhabi Water and Electricity Authority. Alcan will have a 20% stake; the smelter is expected to begin production in 3Q08 and will add 2% to Alcan’s global smelting base.
- Dec 6<sup>th</sup>: Chalco, China’s only alumina producer, invested more than \$63m in cash for a 51% stake in Shanxi Huasheng Aluminium Corporation; Shanxi Guanlu took the remainder in exchange for contributing an existing smelter facility, valued at more than \$60m. The new joint venture will have an annual production capacity of some 220,000t of primary aluminium.

### Analysis

- Polished performance, more to come

On 28<sup>th</sup> December the LME’s benchmark 3-month contract touched a new 17-year high of \$2,287.50/t in pre-market trade, and scored an average \$2,243/t for the month overall. China’s primary aluminium production growth is expected to fall to 9% in 2006 (to total 8.5 Mt) from a growth of 17% in 2005, when it is likely to total 7.8 Mt, according to estimates in December from the China Nonferrous Metals Industry Association. Total smelting capacity in China is currently almost 11 Mt annually. Rising alumina prices are likely to hold back growth to below 10%, according to the Association. Shanxi Guanlu said it will cut its production by 20,000t over the first six months of 2006 as a result of high alumina import prices, which rose by 46% in 2005.

Norsk Hydro said it was considering the possibility of building a \$1bn smelter near the eastern Siberian city of Khabarovsk with an annual capacity of 250,000t of primary metal. The company cited one of the main factors underlying its tentative study of the Siberian possibility as security of energy supply at competitive prices. Norsk Hydro reduced its western European capacity by some 200,000t in 2005 and the future of its Neuss smelter in Germany, with annual capacity of 230,000t, remains uncertain.

### Outlook

**The framework for higher prices – capacity cuts and strong demand – built-up throughout 2005 and is set fair for 2006. Short-term: \$2,100/t-\$2,500t.**

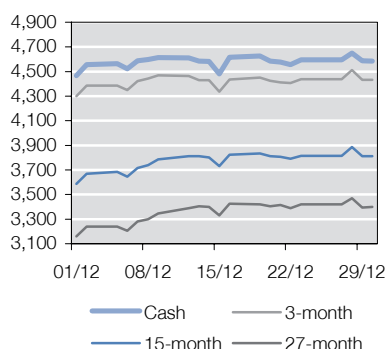
### Market data (December unless stated)

Prices (\$/t)	Cash	3-month	15-month	27-month	LME stocks	Tonnes	Prod (kt)	October	November	LME Open Interest (contracts)	
Average	2,248	2,238	2,079	1,979	Nov-05	617,200	Europe	723	701	Aluminium	656,816
High	2,289	2,285	2,130	2,025	Dec-05	644,850	Americas	607	653		
Low	2,205	2,180	2,012	1,918			Asia	277	269		
							Other	344	329		
							Total	1,951	1,952		

Source: London Metal Exchange, except Production: International Aluminium Association

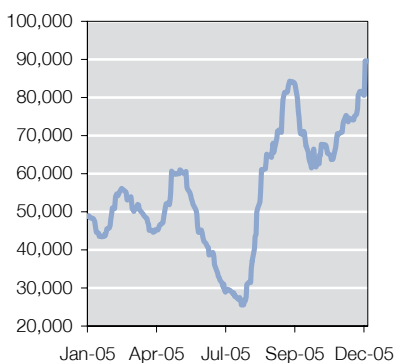
## Copper

### Copper price (\$/tonne)



Source: London Metal Exchange

### Copper stocks (tonnes)



Source: London Metal Exchange

### Quote of the Month

**"A good government is one that doesn't give in to blackmail"**

**Nicolas Eyzaguirre, Chilean Finance Minister, on threatened copper workers' strike action. (Dow Jones)**

### News

- Dec 29<sup>th</sup>: Chile's production in November was 475,107t, 0.6% up year-on-year, according to the National Institute of Statistics.
- Dec 25<sup>th</sup>: China's copper cathode imports in November fell 35.8% year-on-year to 68,787t, according to the General Administration of Customs.
- Dec 9<sup>th</sup>: China's National Development and Reform Commission said it had advised government to regulate the copper and aluminium sectors in 2006.
- Dec 7<sup>th</sup>: Caraiaba Metals, the copper arm of Brazil's non-ferrous metals producer Paranpanema, said it would raise production in 2006 by more than 11% to 225,000t vs. 202,000t in 2005, with plans to increase output to 280,000t in the future.

### Analysis

- Storming finish to 2005

December saw yet higher prices, boosted initially by a strike on the north Chilean railway FCAB, which is used by many of the country's large copper mines. Less than 20% of normal shipments were reportedly affected by the strike but in such a jittery market this was enough to push futures' prices higher. Further bullish news came on 28<sup>th</sup> December when workers at Codelco, the Chilean state-owned copper company which holds the world's biggest reserves and is estimated to have produced some 1.7 Mt of copper in 2005, threatened strike action. The LME's 3-month contract hit a fresh record high of \$4,515/t amid thin trading, as investors took note of the potential impact of the Codelco strike rumblings. Chile's *El Mercurio* newspaper reported that Goldman Sachs, at the behest of the state, had valued Codelco, at a new figure of \$26bn – up from almost \$21bn in 2005 and \$13bn it had valued itself at in 2000.

China's State Regulation Centre of Supplies Reserve, affiliated with the State Reserve Bureau, held its final copper auction on 7<sup>th</sup> December; just over 60% of the 80,000t it put up for sale in four auctions was sold. High floor prices and poor locations deterred buyers. During January-November, China's copper concentrate imports were 3.69 Mt, up 40.5% year-on-year; copper cathode imports for the same period were 1.16 Mt, up 5.7%.

The International Copper Study Group (ICSG) reported that seasonally adjusted figures for Jan-Sept 2005 showed a global refined copper deficit of 54,000t. Global usage for the same period declined 1.8% year-on-year, including a fall of almost 10% in the EU and a decline of 7.6% in North America, more than offset by a rise of 11% in China and 15% in India. Mine supply rose by almost 3%.

### Outlook

**No pause for breath in the copper market, with the LME's benchmark 3-month contract averaging \$4,425/t in December, \$125/t above our higher forecast at the start of the same month. The fundamentals still look very strong for now, particularly given Codelco's uncertainties. Short-term: \$4,200/t-\$4,700/t.**

### Market data (December unless stated)

Prices (\$/t)	Cash	3-month	15-month	27-month	LME stocks	Tonnes	LME Open Interest (contracts)
Average	4,578	4,419	3,772	3,358	Nov-05	70,925	Copper 347,915
High	4,650	4,511	3,885	3,470	Dec-05	89,575	
Low	4,465	4,301	3,585	3,160			

Source: London Metal Exchange

# Nickel

## News

- Dec 22<sup>nd</sup>: The International Stainless Steel Forum (ISSF) reported global production of stainless steel totalled 18.36 Mt in the first nine months of 2005, 1.1% up year-on-year.
- Dec 9<sup>th</sup>: CVRD of Brazil announced it had acquired more than 99% of the outstanding shares of Canico, which owns the Onca-Puma nickel project in the Brazilian state of Para. Development of the project, at an estimated cost of \$1.1bn, should lead to production in 2008, with a capacity of 57,000t of nickel annually.

## Analysis

- Stainless steel slump offers hope

Scott Hand, Chairman and CEO of Inco, which is in the process of merging with Falconbridge, said in December that 2006 will see strong demand for nickel and anticipated that supply will remain tight as inventories are low and new projects take time to come on-stream. He said that Inco's nickel inventory in Q3 of 2005 was 17,000t, the "lowest it's been in 15 years." 2006-2008 should see four new projects commence operations: Inco's Voisey Bay (annual capacity of 50,000t) is scheduled for Q1 2006; its Goro project (annual capacity 60,000t) is due to start up in Q4 2007, as is BHP Billiton's Ravensthorpe project (annual capacity 45,000t); CVRD's Vermelho project is expected to begin in Q4 2008, with annual capacity of 46,000t.

In a regulatory filing to the US Securities and Exchange Commission, Inco reported that engineering work on its Goro nickel project in New Caledonia was about 64% complete, but that additional costs could push the project's costs to the upper end of the anticipated \$1.9bn made in earlier forecasts. Inco said it expects to be able to come up with a new final costs estimate by mid-2006; Goro is expected to be in production in 2007. The filing was made in relation to Inco's friendly \$12.5bn takeover bid for Falconbridge, for which Inco has extended its offer to 27<sup>th</sup> January.

## Quote of the Month

**"With an assumed 4% long-term nickel demand growth rate, the market needs a Goro-sized project every year"**

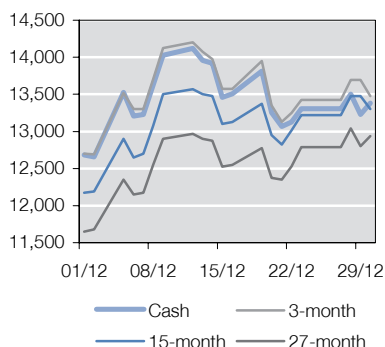
**Scott Hand, Chairman and CEO, Inco**

The ISSF's latest figures showed stainless steel production to have slumped in all regions in the first three-quarters of 2005 (down by more than 16% in central and eastern Europe and by more than 5% in the Americas) except in Asia, where output was up by 7.8%, primarily in China and India. LME stocks of nickel towards the end of December were almost 33,000t, some 57% higher than at the start of the year, reflecting the global stainless steel production collapse and weaker nickel demand.

## Outlook

**Nickel perked-up slightly in December with the LME 3-month contract averaging \$13,560/t and touching a high of \$14,200/t early in the month. 2006 should see better prices as the stainless steel production cuts really begin to bite and nickel producer consolidation marches ahead. Short-term: \$13,000/t-\$15,000t.**

Nickel price (\$/tonne)



Source: London Metal Exchange

Nickel stocks (tonnes)



Source: London Metal Exchange

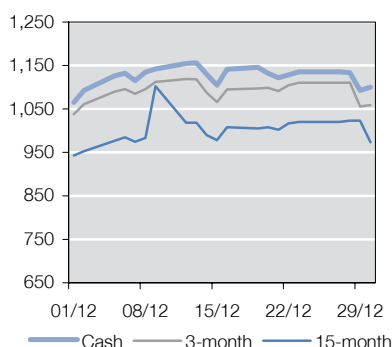
Market data (December unless stated)

Prices (\$/t)	Cash	3-month	15-month	27-month	LME stocks	Tonnes	LME Open Interest (contracts)
Average	13,418	13,525	13,093	12,566	Nov-05	22332	Nickel 65841
High	14,120	14,200	13,570	13,040	Dec-05	35742	
Low	12,655	12,690	12,175	11,650			

Source: London Metal Exchange

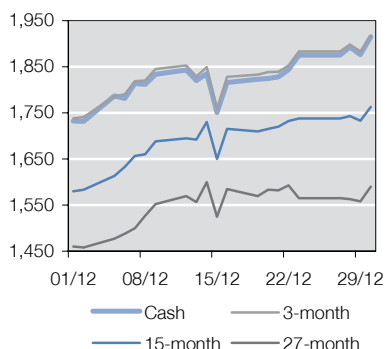
## Lead & Zinc

### Lead price (\$/tonne)



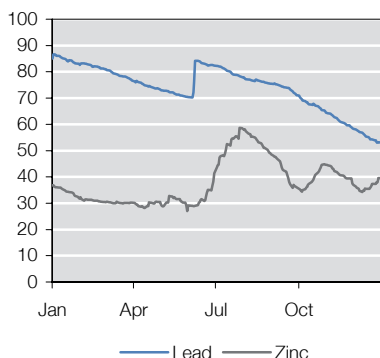
Source: London Metal Exchange

### Zinc price (\$/tonne)



Source: London Metal Exchange

### Stocks on LME (Jan. 1<sup>st</sup> = 100)



Source: Virtual Metals from LME

### News

- Dec 28<sup>th</sup>: Mexico's production of lead and zinc rose substantially in October, by 27% (to almost 15,000t) and 11.7% (to almost 40,000t) respectively, according to data from the National Statistics Institute.
- Dec 12<sup>th</sup>: Kazakhmys, Kazakhstan's zinc and copper producer which joined the FTSE 100 in December, said it raised its zinc production during Jan-Nov 2005 by 300% to 45,000t compared with the same period in 2004.

### Analysis

- Strong final run for both metals

In December, fresh impetus was given to zinc amid news that China had shifted from being a net exporter to a net importer, with its refined zinc imports at almost 192,000t during Jan-Oct 2005, compared with 8,000t in the same period of 2004. The LME's 3-month contract traded to a new 16-year high of \$1,902/t, additionally boosted by the shutdown from 21<sup>st</sup> December of China's third largest zinc smelter, Shaoguan. The Shaoguan smelter has an annual capacity of around 240,000t of zinc and lead; it closed after spilling cadmium-polluted water into the Bei, a major water source in the Guangdong region, during routine maintenance of production lines.

A threatened strike at Peru's zinc and lead producer, Compania Minera Atacocha SAA, was narrowly averted before the end of the year; Atacocha produced 24,972t of zinc in Q3 2005, down 1% from the same quarter in 2004, while lead output was 12,299t in Q3, 8% higher year-on-year.

The International Lead and Zinc Study Group (ILZSG) reported refined zinc production was 8.476 Mt during Jan-Oct 2005, up from 8.437 Mt year-on-year. Global refined lead output for the same period was 6.193 Mt, up 551,000t on the year. Refined zinc consumption rose to 8.809 Mt in the period, up from 8.766 Mt a year earlier, implying a deficit of 333,000t. Lead consumption was 6.29 Mt, up from 5.925 Mt a year earlier. The ILZSG is anticipating a 430,000t global zinc deficit in 2006, against a probable 272,000t deficit in 2005.

### Outlook

**The 3-month LME lead contract averaged \$1,092/t in December, nudging the upper range of our previous short-term forecast of \$950/t-\$1,100/t. Zinc's 3-month contract averaged \$1,843/t, against our forecast December range of \$1,680/t-\$1,850/t. Given China's continued infrastructural development and its growing need for zinc for galvanising, brass production and casting alloys, an intensifying tightness of zinc concentrates, and a widening global deficit in refined zinc, 2006 is likely to see a prolonged bull run for zinc. The contrary is true for lead, which with pumped-up Chinese production is likely to face a situation of growing supply. Short-term: zinc \$1,850/t-\$2,200/t; lead \$1,000/t-\$1,200/t.**

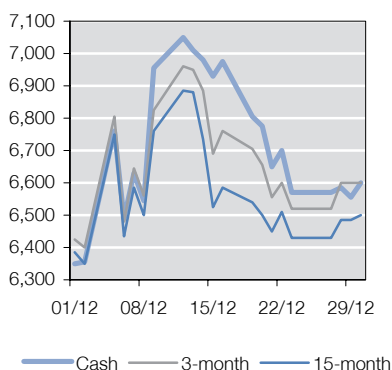
### Market data (December unless stated)

Prices (\$/t)	Cash	Cash	3-month	3-month	LME stocks	LME Open Interest (contracts)			
	Lead	Zinc	Lead	Zinc		Lead	Zinc		
Average	1,091	1,827	1,091	1,835	Nov-05	43,425	441,425	Lead	86,274
High	1,119	1,915	1,119	1,917	Dec-05	43,625	394,125	Zinc	203,501
Low	1,038	1,732	1,038	1,738					

Source: London Metal Exchange

# Tin

Tin price (\$/tonne)



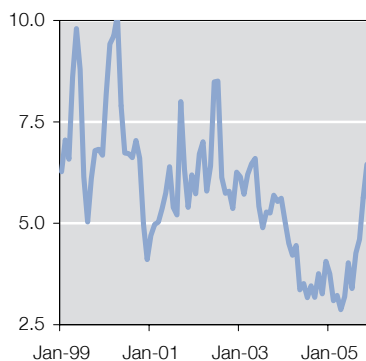
Source: London Metal Exchange

Tin stocks (tonnes)



Source: London Metal Exchange

Tin futures contracts traded, monthly average, LME (Thousands)



Source: London Metal Exchange

## News

- Dec 5<sup>th</sup>: Workers went on indefinite strike at Peru’s Funsur SA tin smelter, operated by Compania Minera Minsur, which operates the country’s only tin mine, the San Rafael mine, which exports 99% of its product.

## Analysis

- Tin in 2005 – a bad year for investors

The strike at Peru’s Funsur mine, which produced 3,317t in September 2005 (last available figures), helped tin futures to recover a little of the ground they had steadily lost throughout 2005. The strike began on 5<sup>th</sup> December and showed little sign of resolution by the end of the year. Trade unionists involved in the strike claimed it was costing the company \$1m and 115t per day, figures disputed by the company.

Infineon Technologies, STMicroelectronics, Philips Semiconductors and Freescale Semiconductor France announced they had formed a group called E4 to co-operate in finding the most efficient solutions for complying with the European Union’s Restriction of Hazardous Substances (RoHS) Directive, which seeks to reduce the use of lead among other substances. Christian Pophal, head of environmental protection and safety at Infineon in Munich, told Electronic News: “Lead, the nightmare of most companies, is no longer a problem for us. We have no fundamental problems with conversion to RoHS-compliant components.” The group also said it had largely solved the problems involved in making whisker-resistant tin plated surfaces suitable for most consumer applications. Michael Hundt, director of ST’s corporate packaging unit, said: “Baking the tin at 150 degrees Celsius for one hour, for example, produces a more uniform inter-metallic layer at the boundary between the tin and the copper, which results in lower internal compressive stresses within the tin.”

## Outlook

**Tin was the worst performing metal we follow in 2005, with a negative return of 15%; even relatively neglected lead managed to show a positive, though meagre, return. December’s trading on the LME was largely a sideways drift and showed little sign of this depressing trend being upset in 2006. The highest settlement for the LME’s 3-month contract being \$6,960/t, and the month’s average \$6,656/t. Short-term: \$6,700/t-\$7,000/t.**

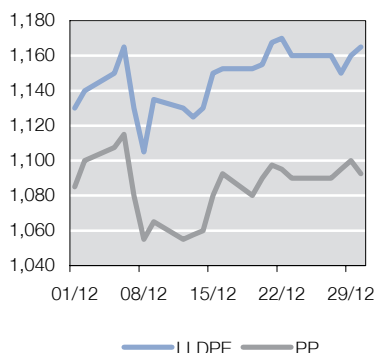
### Market data (December unless stated)

Prices (\$/t)	Cash	3-month	15-month	LME stocks	Tonnes	LME Open Interest (end month)
Average	6,700	6,648	6,552	Nov-05	12,825	Tin 24,931
High	7,050	6,960	6,885	Dec-05	16,725	
Low	6,350	6,400	6,350			

Source: London Metal Exchange

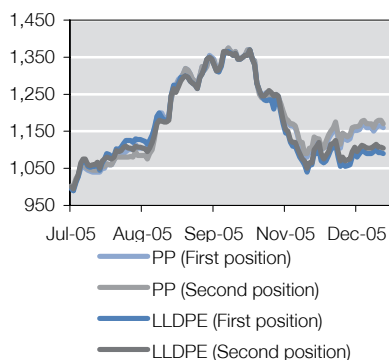
## Plastics

Plastics prices, 1st-month contract, LME (\$/tonne)



Source: Virtual Metals from LME

Plastics prices, LME (\$/tonne)



Source: London Metal Exchange

### News

- Dec 1<sup>st</sup>: Avon Rubber, the UK company, reported annual losses after tax for the year ended 30<sup>th</sup> September of £3.7m vs. profits of £7m for the previous year. It cited bad debt provisions in respect of the collapse of MG Rover as part of the contributory factors.

### Analysis

- Prices remain weak

December saw further falls in thermoplastics. Prices fell in December thanks to lower demand, higher inventories and falling feedstock costs. Producers of both LL and LDPE cut prices by some 8%. Reports from industry were that plastics converters were buying just enough stock to meet daily needs, in the growing belief that prices would fall further in the early part of 2006.

China's output of polyurethane products could grow by 7.8% annually until 2009, according to a report by IAL Consultants, increasing production volumes from 2.7 Mt in 2004 to just under 4 Mt in 2009. Increased demand for domestic items such as furniture as well as a boom in hotel accommodation are factors underlying the probable growth, according to IAL.

The US research group Freedonia said thermoplastic elastomer demand is expected to grow worldwide by 6.2% annually over the next four years, with demand rising from 2.3 Mt in 2004 to 3.1m tonnes in 2009. China is forecast to show the fastest rate of demand growth at 8.8% per year, taking consumption from 690,000 tonnes in 2004 to 1.1 Mt in 2009. The auto industry will remain the largest global market for TPEs, with demand reaching 890,000 tonnes in 2009.

The Japanese electronics company NEC said it will start replacing conventional plastics with bioplastics in its products. Masatoshi Iji, senior manager at the NEC fundamental environmental research laboratories, told the Bioplastics 2005 conference that NEC will substitute more than 10% of the oil-based plastics in its electronic products with bioplastics by 2010. The key material will be a special fibre-reinforced polylactic acid (PLA).

The European Commission said it will review the anti-dumping measures on PET against a number of Asian producers which expired at the end of November, following a request by the PET committee of PlasticsEurope, which represents over 90% of Community production. Anti-dumping duties against PET from producers in India, Indonesia, Korea, Malaysia, Taiwan and Thailand were introduced in December 2000 and range from €20.1/t to €223/t.

### Outlook

**The LME's plastic contracts drifted for much of December before strengthening slightly towards the end of the year; average price for the LLDPE January contract was \$1144.89/t, ending at \$1,165/t, and for the PP January contract an average of \$1,084.09/t, concluding at \$1,085/t. Short-term: LLDPE \$1,100/t-\$1,200/t; PP \$1,000/t-\$1,100/t.**

### Market Data

Contract	Average prices (December)		Volumes (November)		Open Interest (contracts)		
	LLDPE	PP	LLDPE	PP	LLDPE	PP	
First position	1,144.89	1,084.09	Daily average	137	73	876	1081

Source: London Metal Exchange

## Indices

### Precious and base metal prices

(1999 Avg.=base 100) End December 2005	Current	Change from					
		1 M	1 Yr	5 Yr			
Gold (spot)	184	4% ↑	178	16% ↑	159	89% ↑	97
Silver (spot)	169	8% ↑	157	24% ↑	136	90% ↑	89
Platinum (spot)	255	-2% ↓	259	13% ↑	225	57% ↑	162
Palladium (spot)	71	0%	71	33% ↑	53	-72% ↓	255
Aluminium (cash)	168	6% ↑	159	23% ↑	136	46% ↑	115
Aluminium (3m)	165	7% ↑	154	23% ↑	133	45% ↑	113
Aluminium (15m)	148	7% ↑	139	21% ↑	123	36% ↑	109
Aluminium (27m)	138	6% ↑	130	20% ↑	116	31% ↑	106
Copper (cash)	291	4% ↑	280	46% ↑	200	148% ↑	118
Copper (3m)	276	5% ↑	264	46% ↑	189	137% ↑	117
Copper (15m)	227	7% ↑	212	44% ↑	157	105% ↑	111
Copper (27m)	198	9% ↑	182	39% ↑	142	87% ↑	106
Nickel (cash)	222	6% ↑	210	-3% ↓	229	83% ↑	122
Nickel (3m)	222	7% ↑	207	-2% ↓	227	92% ↑	116
Nickel (15m)	225	10% ↑	204	4% ↑	216	100% ↑	112
Nickel (27m)	223	13% ↑	197	12% ↑	199	99% ↑	112
Zinc (cash)	178	12% ↑	159	62% ↑	110	81% ↑	98
Zinc (3m)	176	12% ↑	157	69% ↑	104	78% ↑	99
Zinc (15m)	161	11% ↑	146	51% ↑	107	60% ↑	101
Zinc (27m)	145	9% ↑	134	42% ↑	103	44% ↑	101
Lead (cash)	219	3% ↑	212	13% ↑	194	138% ↑	92
Lead (3m)	208	2% ↑	203	12% ↑	186	122% ↑	94
Lead (15m)	185	2% ↑	181	12% ↑	165	91% ↑	97
Tin (cash)	122	9% ↑	113	-23% ↓	158	26% ↑	97
Tin (3m)	122	8% ↑	113	-23% ↓	158	25% ↑	98
Tin (15m)	120	7% ↑	113	-23% ↓	155	21% ↑	99

### LME base metals stocks

(1999 Avg.=base 100) End December 2005	Current	Change from					
		1 M	1 Yr	5 Yr			
Aluminium	82	4% ↑	79	-8% ↓	90	100% ↑	41
Aluminium Alloy	59	0% ↑	59	0% ↑	59	-53% ↓	125
Copper	5	0% ↑	5	-29% ↓	7	-89% ↓	47
Lead	32	0% ↑	32	5% ↑	31	-67% ↓	97
Nickel	71	0% ↑	71	102% ↑	35	300% ↑	18
Tin	180	30% ↑	138	158% ↑	70	30% ↑	139
Zinc	133	-11% ↓	149	-39% ↓	219	102% ↑	66

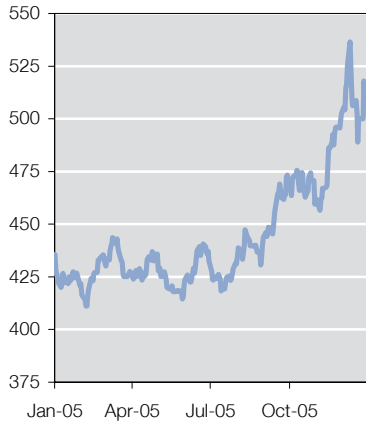
### USD exchange rates

(1999 Avg.=base 100) End December 2005	Current	Change from					
		1 M	1 Yr	5 Yr			
European euro	91	0%	91	14% ↑	80	-23% ↓	119
Canadian dollar	78	0%	78	-5% ↓	82	-24% ↓	102
Great British pound	94	0%	94	12% ↑	84	-15% ↓	111
Japanese yen	103	-1% ↓	105	13% ↑	91	5% ↑	99
South African rand	105	-2% ↓	107	12% ↑	94	-16% ↓	125
Australian dollar	89	1% ↑	88	6% ↑	84	-24% ↓	118

Source: Virtual Metals & London Metal Exchange

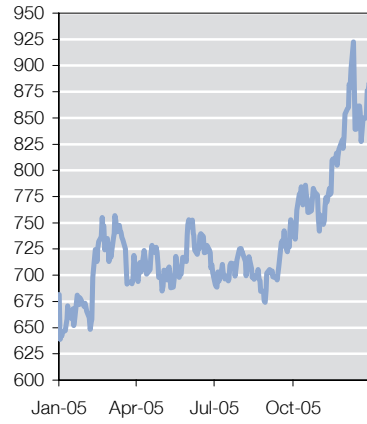
# Prices

**Gold (\$/oz)**



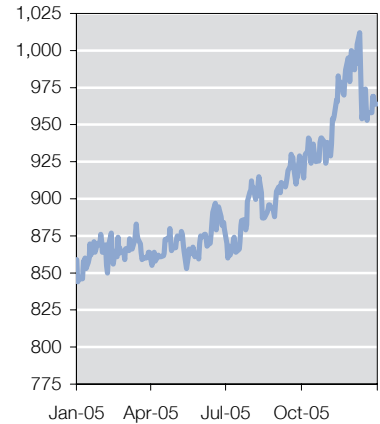
Source: London Bullion Market Association

**Silver (cents/oz)**



Source: London Bullion Market Association

**Platinum (\$/oz)**



Source: London Platinum & Palladium Market

**Palladium (\$/oz)**



Source: London Platinum & Palladium Market

**Aluminium (\$/tonne)**



Source: London Metal Exchange

**Copper (\$/tonne)**



Source: London Metal Exchange

**Nickel (\$/tonne)**



Source: London Metal Exchange

**Lead & zinc (\$/tonne)**



Source: London Metal Exchange

**Tin (\$/tonne)**



Source: London Metal Exchange

# Notes

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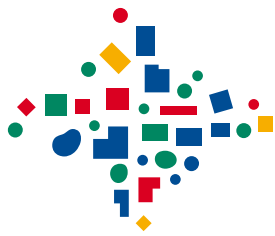
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Solid partners, flexible solutions

## Fortis

Fortis is an integrated financial services provider active in the fields of banking and insurance. With a market capitalisation of EUR 26.9 billion (31/01/2005) and over 52,000 employees, Fortis ranks in the top 20 of European financial institutions.

In its home market, the Benelux countries, Fortis occupies a leading position which it aims to develop and bolster. Fortis is drawing on the expertise it has acquired in its home market to realise its European ambitions via growth platforms. Fortis also operates successfully worldwide in selected activities. In specific countries in Europe and Asia it effectively exploits its know-how and experience in bancassurance.

Sustainable economic growth and social responsibility are important considerations for the way in which Fortis operates.

Fortis' commitment to the welfare of its millions of customers means the company is deeply rooted in the local community.

Fortis is listed on the exchanges of Amsterdam, Brussels and Luxembourg and has a sponsored ADR programme in the United States.

## Fortis Bank

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